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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Federal Communications Commission
445 12th Street, S.W. – Room TWG-204
Washington, D.C. 20554

Re: Oral *Ex parte* - CC Docket No. 96-98

Dear Ms. Salas:

On May 15, 2000, the undersigned and C. Michael Pfau, representing AT&T, met with Jake Jennings, Jonathan Reel and Chris Libertelli of the Common Carrier Bureau to discuss the availability of unbundled local switching (ULS) pursuant to the UNE Remand Order. At the meeting, we used the attached outline to discuss the need to modify the Commission's exception to the availability of ULS. AT&T's statements at the meeting were consistent with the positions set forth in its pleadings relating to the petitions for reconsideration of this issue.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206 (b) of the Commission's rules.

Yours truly,

Richard H. Rubin

Attachment

cc: J. Jennings
C. Libertelli
J. Reel

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List ABCDE

Unbundled Local Switching

- The UNE Remand Order recognized there are many barriers that impair CLECs' ability to serve the mass market with their own switches:
  - No efficient means to aggregate lines to deliver traffic efficiently from the customer premises
  - No efficient and cost effective mass hot cut process
  - Availability, cost and time problems related to collocation
  - Cost of interoffice transport from the collocation to switch
- The current 3 line limit for ULS availability in density zone 1 does not fully recognize these barriers and the CLECs' inability to aggregate demand from multi-line customers

Unbundled Local Switching

- Any ULS limitation presumes CLECs generally have the opportunity to aggregate multi-line loop demand efficiently at a customer's premises. This requires:
  - Equipment to terminate and multiplex 2-wire circuits at the customer premises
  - A premises-to-CO facility to carry multiplexed loop traffic to the CLEC's collocation space
  - Interoffice transport to the CLEC switch
  - Interface equipment to the circuit switch
- These costs are not faced by the ILEC and all add to the CLECs' cost structure

Unbundled Local Switching

- Any ULS limitation must recognize
  - Few locations have a sufficient number of local access lines to allow them to be economically aggregated, and
  - Customers with large number of lines at a location will not likely permit a CLEC to provide all lines at the location, at least until performance is proven
- Profile of premises within Density Zone 1
  - Most residential customers average <3 lines per location
  - About 50% of business "lines" terminate at locations with >10 lines per location
  - The vast majority of DZ1 business locations (>90%) have 10 or fewer "lines"

Unbundled Local Switching

- Equipment economics, current ILEC operational deficiencies and existing customer line densities at individual locations argue against any limitation on ULS
- To the extent *any* limitation is imposed, it should recognize that only a T1 aggregation strategy is generally feasible today
- A facilities-based rule is clear-cut and avoids many administrative issues relating to ULS availability
- T1 aggregation requires 16 or more lines served at a single location (AT&T Reply, p.16; Chandler Affidavit, p.2)

Unbundled Local Switching

- No limit lower than 8 lines is supportable on *any* basis
- Even the 8 line limit requires
  - General availability of prospective technology that is not widely deployed and
  - Efficient delivery of DSL loops, which ILECs have proven incapable of delivering (AT&T Reply, p.16)

Unbundled Local Switching

- To the extent any limitation is employed, care must be taken to clarify how it is applied (AT&T Reply, p.17)
  - Lines counts for this purpose should consider only lines of a *single* customer at a *single* location purchased by a *single* carrier
    - No CLEC can attain aggregation efficiencies for a single customer across multiple locations
    - There are no aggregation efficiencies that exist across multiple CLECs serving a single location
  - Only lines used for circuit switched voice services should be counted
  - When a CLEC surpasses the line limit for ULS, a reasonable transition period should be required before re-pricing is allowed

Conclusion

- The existing 3 line limitation is arbitrary and does not recognize key factors that impair CLECs' ability to compete
- A T-1 facilities-based threshold is sustainable based on the record and much more administrable
  - Based on currently deployed technology, an economic surrogate for a T-1 threshold is a minimum of 16-17 lines
- Even assuming deployment of prospective technology and ILEC ability to deploy DSL loops, no threshold below 8 lines is justifiable
- Expedited action is needed to resolve this issue